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BUDGET

Budget Speech

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by Mrs. Pauline Marois,
Deputy Prime Minister
and Minister of State for the Economy and Finance,
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Introduction

Mr. President:

On March 8, I officially assumed my duties as Deputy Prime Minister and Minister of State for the Economy and Finance.

While I accepted this task with enthusiasm, I am fully aware of the scale of the challenge it represents. It is a role crucial to the management of public affairs in Québec—a role that our new Prime Minister performed brilliantly for five years. He devoted extraordinary energy to revitalizing investment and job creation. He made unemployment a personal enemy to be conquered. Today, Québec society as a whole reaps the benefits of the successes attained.

I am proud to succeed him and will pursue the work accomplished. I am also proud to be one of the first women to hold this office, and I know that I am charting the course for others.

Our public finances have been a spectacular success story. In four years, thanks to the efforts of all Quebecers, we eliminated a deficit that, in 1994-1995, was nearly $6 billion. Once stability had been restored, we were able to free up substantial funds to better meet the needs of the population in the areas of health, education and job creation. And, last year, we reduced personal income tax by $4.5 billion over three years.

In 2000, Québec experienced a fourth year of remarkable economic growth. Yet again, it exceeded forecasts, reaching 4.3%. Although we must exercise caution as we look to the future, Quebecers have regained their optimism and confidence. And with good reason: their standard of living has improved significantly and the unemployment rate is the lowest in 25 years.

Thus, it is my privilege to propose new budgetary directions to this Assembly that will enable us to continue strengthening each link in our society.

I am therefore proposing a series of concrete actions for:

— an immediate redistribution of the fruits of prosperity, and

— the creation of still greater prosperity in the future.

Our new Prime Minister has chosen the first of our priorities. The fight against poverty and exclusion will become just as demanding as the fight against the deficit and unemployment. I am therefore announcing today new initiatives totalling $300 million over three years aimed at ensuring that this fight is waged with even greater success.

Quebecers put their shoulders to the grindstone to revitalize the economy and restore public finances. It is only fair that they benefit from this prosperity. This Budget reduces income tax substantially. It contains a new reduction in personal income tax of $3.5 billion. By adding this reduction to the one announced last year, we will have reduced Quebecers' tax burden by a total of $11 billion over the 2000-2001 to 2003-2004 fiscal years. For fiscal 2002 alone, we are talking about an income tax reduction of 20%.

To better meet the needs of the population, substantial amounts will be earmarked for the budgets of the health and education sectors. Thus, we are adding today $2 billion to the budget initially allocated last year for the health and social services sector.

Education and youth will not be passed over. We will be injecting $730 million over and above the additional amounts already granted last year. All of the commitments made at the Québec Youth Summit will be fully met.

The same vision of the future infuses the employment measures of this Budget.

The efforts of our government to position Montréal as a hub of the new economy have borne fruit. Today, Montréal ranks fourth among North American cities in the high-tech industry. Our challenge now is to ensure that this regained vitality spreads to all regions of Québec. Although a number of regions have experienced a similar upswing, other regions have unfortunately not benefited from the economic recovery in Montréal as much as would normally be expected. This Budget uses the strengths of the resource regions as a springboard to create new momentum in Québec as a whole. Nearly $800 million is granted for this purpose.

Moreover, we will be continuing our job-creation and economic-development efforts not only in the resource regions but throughout Québec.

Québec may have missed an important rendez-vous with history in terms of the automobile industry in the second half of the 20th century. But we will not miss the rendez-vous with the knowledge-based, creation and innovation economy.

Lastly, having achieved a zero deficit and re-injected substantial amounts into health, education and social solidarity, we are now at a point where, for the first time, we can tackle our collective debt. We will reduce the debt by half a billion dollars this year. We are therefore at a historic point in time. We are seeking, through this unprecedented gesture, to leave a better legacy to our children and grandchildren.

This Budget demonstrates healthy foresight, given the prospect of a slowing economy. According to the experts, without control over monetary policy, there are two ways of shoring up the economy and forestalling an eventual slowdown. We can increase government investment in strategic sectors or cut taxes. This Budget proposes to do both: we are going to reduce taxes and increase investment in public services.

Through this Budget, we want to contribute to making Québec into a country capable of taking its place at the forefront of the new world emerging across the planet. A country that will use the phenomenal potential of its youth. A country that will meet the hopes of all Quebecers.

I. A major offensive against poverty and exclusion

(a) A priority inspired by solidarity

Québec has long been one of the most progressive societies in North America. I'll give a few examples.

Our income tax system ensures the most extensive redistribution of wealth in America. Our system of protection for low-income earners is among the most generous. As a percentage of the average industrial wage, Québec has the highest minimum wage in North America, with the exception of Rhode Island. We are also ahead of the other jurisdictions with regard to assistance for students and support for families, as well as in many other areas.

Québec has a long history of solidarity. It is a fight that has been waged with perseverance and determination. It is at the heart of the examples I've just cited and it is at the heart of a number of offensives undertaken by our government. The Fonds de lutte contre la pauvreté and the zero-poverty clause agreed on at the Montréal Summit, $5-a-day child care services, the *Pay Equity Act* and development of the social economy are all milestones along the road already charted.

Let me point out that the renewed prosperity has not benefited only the most affluent. The unemployment rate is the lowest in 25 years. Almost 300 000 more persons are employed today than in 1996. More importantly, 140 000 adults and 100 000 children have left the ranks of social assistance recipients since that time. The vast majority of them have reclaimed their dignity and are once again earning a more satisfactory income. All are glorious victories against poverty.

Now that public finances have been put in order, we can step up our efforts. The Prime Minister has made the redistribution of wealth a priority—a priority that I unreservedly endorse.

(b) $300 million in assistance for the most underprivileged

With this Budget, we will inject $300 million into new initiatives for the most underprivileged members of our society.

$100 million placed in reserve for the fight against poverty and exclusion

The Québec government currently has substantial budgetary surpluses at its disposal, due to another exceptional performance by the economy.

I am announcing that $100 million will be placed in reserve for use in the fight against poverty and exclusion. We have to think, in particular, of social-housing needs.

The government will retain full control of these amounts, to be deposited with the Caisse de dépôt et placement. There is no doubt whatsoever in my mind that the Minister of Employment and Social Solidarity and the Minister for the Elimination of Poverty and Exclusion will put this amount to good use.

Increased social assistance benefits

During the last recession, the Liberal government froze certain social assistance scales. The Parti québécois government has been able to put an end to this period of austerity. On January 1, 1999, we introduced an initial increase in the scales and, last June, we increased them again. I am announcing that we will raise the social assistance benefits of 250 000 households by 2.5% as of next June. I believe that Quebecers are ready to participate in this effort to fight poverty and that they will support our government in this sign of solidarity.

The 120 000 other households, made up of persons with a severely limited capacity for employment, are already benefiting from the zero-poverty clause agreed on at the Montréal Summit. Under the clause, the benefits of these households are to be adjusted to the cost of living every year, on January 1. It goes without saying that we will maintain this policy and raise the amount of their benefits next January 1.

Social assistance recipients: a return to work with dignity

I don't know anyone who was happy about becoming a social assistance recipient. Luckily, most recipients are able to leave social assistance within a few months. Nonetheless, there are still 225 000 households in Québec that have been on social assistance for over three years. More than half of them are composed of persons able to work. As a society, we cannot remain indifferent to what they are experiencing.

It is not merely a question of maintaining their standard of living by raising the amount of their benefits as I just announced. We must do more, by helping them to achieve full financial autonomy. Employment still represents the best means of attaining this objective. In this respect, our government relies first and foremost on measures aimed at supporting and preparing recipients in their search for work. The "Destination emploi" program comes immediately to mind, as does the "Solidarité jeunesse" program targeting young people under 21 years of age. We are resolutely convinced that we must continue in this path.

This Budget takes an innovative step in this area, with the creation of the "Action emploi" program. Under this program, financial assistance will be provided to persons who have been on social assistance for more than three years, in order to encourage them in their efforts to rejoin the job market. I am therefore announcing that, as of next January 1, recipients who give up social assistance in order to work full time will receive a supplement equal to $3 an hour the first year, $2 an hour the second year and $1 an hour the third year.

For the moment, this measure is funded exclusively with Quebecers' tax dollars. In my opinion, the federal government, which collects the other half of our taxes, should also contribute to this initiative, as it has done in New Brunswick and British Columbia.

(c) Other anti-poverty initiatives in this Budget

The measures I just mentioned are being introduced in conjunction with several other measures aimed at fighting social exclusion. Thus, this Budget intensifies efforts to reduce the school drop-out rate and improve the services available to young people and their families. We will also be fighting poverty by creating jobs in all of Québec's regions. And we will be tackling poverty yet again, by according a bigger income tax reduction to low- and middle-income earners than to higher-income earners.

The measures I have just announced point to the will of our political party to address the needs of the most disadvantaged members of our society.

II. New $3.5-billion reduction in income tax

In this Budget, our government acts on another of its major commitments—that of reducing the tax burden, where the state of public finances so permits.

(a) Additional reductions as of July 1

I am therefore announcing today a new, substantial reduction in personal income tax totalling $3.5 billion over the next three fiscal years.

This reduction will take effect as of July 1, and will put an extra $1 billion in the pockets of Québec taxpayers during the 2001-2002 fiscal year.

The reduction I am announcing today, added to the decrease announced last year, will ease Quebecers' tax burden significantly. By 2003-2004—that is, in four fiscal years—Quebecers will have been granted a cumulative income tax reduction of a little over $11 billion. In this way, our government will be giving back to taxpayers slightly more than the $10 billion in successive increases imposed by the Liberal government.

(b) A total reduction of 20% as of 2002

I am convinced, Mr. President, that Quebecers will be pleased with the scale of this income tax reduction. I am in fact announcing that, by combining this year's reductions with those of last year, we will be granting Québec taxpayers an average income tax reduction of 20% for 2002 alone. Given that this represents, on average, a decrease of $1 410 per household, it is a reduction that can rightly be considered very sizeable.

Concretely, these reductions will be in the form of a new tax table that will apply beginning on July 1. The tax rates of the new table will be significantly reduced in comparison with those of the table currently in effect. I am announcing that the first tax rate, currently at 18%, will be lowered to 16%, that the second rate will be reduced from 22.5% to 20% and that the third rate will be decreased from 25% to 24%.

Before the reductions announced in March 2000, these three rates stood at 20%, 23% and 26%. Thus, in the space of only two Budgets, we will have succeeded in reducing the first rate in the tax table—the one that applies to all taxpayers—by 4 percentage points, the second by 3 points and the third by 2 points.

Automatic indexation one year earlier: next January 1

Moreover, I am announcing that full indexation will take effect one year earlier. Full automatic indexation of the personal income tax system will take effect beginning on January 1, 2002. All three taxable income brackets in the tax table will be indexed, as will the various tax credits.

(c) Tax relief for everyone, but especially for families, the middle class and the least affluent

Special emphasis on families and the middle class

The new income tax reduction will apply to all households; however, the middle class and families will benefit more than everyone else.

Accordingly, a couple with two employment incomes, two children and a family income of $50 000 will receive a cumulative tax cut of $2 141 in 2002. That is a 43% decrease compared with the income tax paid by the couple in 1999. In this case, the reduction is twice as high as the average 20% cut granted to Québec taxpayers.

Tax relief will be just as significant for single-parent families with one child and an income of $30 000. In this case, the tax cut will be 45%, or $1 010.

Families will benefit from this Budget not only in 2002, but beginning in 2001. My predecessor announced an additional $175 million in tax relief for families, to take effect in 2002. I am announcing that Québec families will benefit from this additional relief as of this year.

I am further announcing that we will maintain Québec family allowances at their current level, irrespective of the amount of the Canada child tax benefit.

A taxation system that protects the most underprivileged

In determining our tax cuts, we sought to preserve the full progressiveness of the Québec taxation system, as well as its full redistribution effect.

Accordingly, low-income earners will benefit the most from the reductions granted. For example, taxpayers with an income of less than $25 000 will see their income tax drop by 34% in 2002.

In this respect, I would like to remind you that our taxation system is one of the most progressive in North America. At present, 40% of Québec taxpayers do not pay income tax. They enjoy the same public services without having to contribute to them by paying income tax. There are more taxpayers in this situation in Québec than elsewhere. For example, were these taxpayers to move to Ontario, 425 000 of them would have to pay income tax. Most fortunately, that is not the case, and our government fully intends to maintain this advantageous tax treatment for low-income earners.

(d) Taxation: both an economic and a social tool

A tax credit to facilitate municipal democracy

I also wish to use taxation to facilitate the workings of democracy at the municipal level.

Thanks to the determination and perseverance of our colleague the Minister of Municipal Affairs and Greater Montréal, we are in the process of completely redefining the municipal territorial map. We are going forward with these reforms to better serve Quebecers: it is therefore essential that they adopt the new institutions as their own and play fully their role as enlightened, responsible citizens within them.

To that end, I am announcing that contributions to the financing of municipal political parties will henceforward give entitlement to a tax credit, as do contributions made at the Québec national level. More information is given on this measure in the document *Additional Information on the Budgetary Measures*, which is an integral part of this speech.

A plus for the economy

Today's changes make the taxation system more conducive to employment.

As a result of the reductions announced by our government, the discrepancy between the tax burden in Québec and that in the Canadian provinces is reduced by one third, dropping from $3 billion to $2 billion. While the discrepancy with taxpayers in the Canadian provinces remains high, the reduction decided on by the government nonetheless represents a considerable improvement in this regard.

The economy's good performance thus enables the government to pass on to all taxpayers the benefits stemming from the restoration of public finances. This is excellent news for all Quebecers. I hope to pursue efforts in this direction, economic conditions permitting, of course.

III. $2 billion more for health services and social services

Without a doubt, access to quality health and social services tops the list of Quebecers' concerns. This is constantly brought home to us through our daily contact with the public, which is at the heart of our mandate as women and men in political life. As I well know, the public expects the government to give its full attention to ensuring that everyone has access to the most adequate care, without unduly long waiting periods, regardless of his or her financial situation.

To date, our government has assumed this responsibility with the utmost determination and compassion. We will continue to do so in the future. I am announcing today an additional $2 billion for the health and social services network.

(a) $1.3-billion increase in operating budgets

We are first going to raise the health and social services budget to $16.7 billion in 2001-2002. This represents a $1.3-billion increase over last year's budget, which will be added to the very substantial amounts spent on health since 1997-1998. During this four-year period, the recurring budgetary bases in the health and social services sector were boosted by an average of nearly $1 billion a year. In addition, our government took over deficits of $1.5 billion from institutions in this sector.

This monumental effort points eloquently to the priority accorded to health needs by our government. Intensifying this effort will enable us to not only absorb the anticipated rise in costs, but also to offer more services to the population.

(b) $600 million to modernize the health and social services network

We currently have at our disposal sizeable budgetary surpluses. We are going to place $600 million in reserve for the main purpose of modernizing the health and social services network as of the coming year. In the case of this reserve as well, the government will have full control of the use of the funds. Already, a few of the allocations that have been selected can be described.

When I was Minister of Health and Social Services, I asked a task force, the Clair Commission, to propose avenues for reform desirable for the future of our system.

One of the most interesting recommendations of the Commission was that family medicine units be set up. The great advantage of these teams is that they will provide round-the-clock service, seven days a week. Our government has indicated its intention to extend the benefits of this type of service throughout Québec over the next four years. With this Budget, my colleague the Minister of Health and Social Services will dispose of the means necessary to undertake this modernization process as of this year.

The other recommendations of the Clair Commission concerned the need to invest in upgrading buildings, equipment and computer systems, and to make available the required transition budgets. In addition, we now have the means with which to undertake a major offensive geared to public health prevention and promotion.

(c) A number of new initiatives

More for young people and their families

This Budget also contains more targeted initiatives, which will have an impact on the quality of life of Quebecers, respecting services to young people and their families. I am announcing that an amount of $10 million is granted to the ministère de la Santé et des Services sociaux for consolidation of the basic services offered to children and young people. This amount will be raised to $15 million the following year, and to $20 million starting in 2003-2004. The CLSCs will provide the services required in accordance with local needs.

Compulsive gamblers: more assistance

As a society, we must pay greater heed to the problems faced by compulsive gamblers and the resulting family, social and economic consequences. The Québec government will step up its efforts to deal with these problems, which take a heavy toll on family members.

As of May 1, the commission paid by Loto-Québec to the holders of licences to operate video-lottery terminals will be reduced from 30% to 26%, a rate which will nonetheless still be the highest in Canada. This will yield additional profits for Loto-Québec. I am announcing that we will use these profits to fund rehabilitation initiatives, research programs and prevention campaigns for compulsive gamblers. Furthermore, we will implement measures to ensure that minors are not exposed to video-lottery terminals. The budget allocated for these initiatives will thus be boosted to $20 million a year.

More for older persons

Loto-Québec's additional profits will also be used to improve the living conditions of older persons losing their autonomy. The situation of these persons is made difficult by isolation or cognitive disorders such as Alzheimer's Disease. They deserve our compassion. We must guarantee them access to quality services. Well-organized home care services will provide the additional support needed so that they can safely remain in their own home. And when they can no longer stay in their own home, we must provide for lodging services offering them a stimulating living environment.

I am therefore announcing an additional $30 million per year for older persons losing their autonomy. This new effort will enable us as a society to meet their needs as fairly and as humanely as possible.

I wish to emphasize that my colleague the Minister of Child and Family Welfare and Minister responsible for Seniors will have at her disposal the means necessary to implement the action plan for older persons, which she will soon be making public.

More for home care services

We have developed an innovative concept in Québec, that of the social economy. Since the Summit Conference on the Economy and Employment in 1996, we have been experimenting with new ways of meeting social needs while creating quality jobs. The budgets allocated to support home care pilot projects come to an end this year. I am announcing that we will be permanently renewing the budgets necessary to providing these services. The budgets will even be increased from $30 million to $32 million.

The Réseau d'investissement social du Québec is an organization that plays an essential role in developing the social economy in Québec. It has been providing technical and financial support to businesses in the social economy for five years now. I am announcing a grant of $2.6 million to the Réseau so that it can continue its admirable work.

More for recreation and sport

Québec's health policy is largely focused on prevention, of which recreation and sport are an essential component. Accordingly, I am announcing an additional budget of $10.3 million this year for that purpose, and another $5.3 million for each subsequent year. The action plan for developing athletic excellence will be implemented with dynamism by the new Minister for Tourism, Recreation and Sport.

(d) Ottawa's contribution is insufficient

The additional $2 billion that I have just announced for the health sector is much higher than the amount we received from Ottawa this year. Whereas Ottawa will pay us an additional $525 million for health in 2001-2002, we are injecting $1.5 billion more than we will be receiving.

The provinces are unanimous in their denunciation of the low federal health contribution. Despite the hard-won improvements of last September, we must not forget that, for every dollar Québec spends on health, the federal government pays only 14 cents. We are thus a long way from past contribution levels and far from desirable levels, given the size of the surpluses at Ottawa's disposal.

Worse still, we cannot even count on the maintenance of this small contribution in the future. The federal government guarantees no indexation of its contribution. This is inadmissible given the rate at which our expenses will increase in the coming years.

Not only should Ottawa commit a larger portion of its surpluses to the health sector, it should give us long-term guarantees as well. An avenue worth exploring would be to transfer tax points to us, a suggestion which this Assembly seems to unanimously endorse. Such an improvement would enable us to better meet the needs of Quebecers.

But the problem of fiscal imbalance between the two levels of government is not confined to the health sector. Quebecers pay $33 billion in income tax and other taxes to Ottawa every year, and it is with this money that the central government accumulates huge surpluses, which it uses to invade Québec's areas of jurisdiction.

When the money is in Ottawa and the needs are in Québec, as now, the Québec government is faced with a terrible dilemma. Either it allows the central government to determine the priorities on its own, and accepts that Québec's needs are unsatisfactorily met. There are unfortunate examples of this in a number of areas, not the least of which is the parental leave program, which has been on hold for four years. Or the Québec government commits the funds necessary to meet its constituents' needs, which means taxing Quebecers twice. In both cases, the waste of resources is intolerable.

It is a problem whose causes must be analysed, whose consequences must be assessed and to which a solution must be found as soon as possible. That mandate has been entrusted to the Commission on Fiscal Imbalance, which will be chaired by Yves Séguin, a former minister of the Québec government, and which is expected to submit its recommendations next November.

IV. Education: an investment in young people and in the future

The services offered in the different education networks constitute another achievement of which we can be very proud as a society. We must devote large sums to modernizing our education system to ensure that it remains among the top-ranking systems in industrialized countries, and because education is our best investment in the future.

This Budget frees up substantial funds to help our youth succeed and realize their full potential. Our society needs their dynamism, their skills and their ideals to build the Québec of tomorrow. I am therefore announcing today additional funding of $730 million for education and youth.

(a) An additional injection of $730 million

$200 million placed in reserve for education

We will be taking action in this sector by drawing on current surpluses, as we have done for the purposes of health and social solidarity. I am announcing that $200 million will be placed in reserve for education. This amount may be used to upgrade and modernize technological resources and buildings. It may also be used to facilitate the transition respecting educational reform, in particular through the purchase of textbooks and through better support for teachers.

Commitments made at the Québec Youth Summit will be met in full

At the Québec Youth Summit, held in February 2000, we made a commitment to significantly increase the budgets allocated to the education sector. I am announcing that this Budget enables our government to meet all of its commitments:

— First, our contribution to the Youth Fund has already been made.

— Second, we will pay the second instalment on the $1 billion promised to educational institutions. It will cost us $100 million more than last year, and will enable us, among other things, to honour the performance contracts concluded with universities.

— Third, we will cover the full amount of the increases in costs, salaries and clientele facing the education networks, at an additional cost to us of $350 million this year over last year.

$72 million for school success

Of the many areas of intervention since the Estates General on Education, the one on school success is perhaps the most crucial. One in four young Quebecers does not complete high school, thereby jeopardizing his or her future.

Last year, we therefore implemented an action plan under the theme "Early Steps toward Success". The aim of the plan is to ensure that young people throughout Québec, especially in underprivileged neighbourhoods, stay in school. The action plan will make it possible to hire nearly 2 000 new teachers over the next four years and to reduce the number of students per class. It also provides for the hiring of some 900 professionals to provide support to teachers in dealing with students with learning disabilities. We will be spending $72 million this year, that is, $47 million more than last year, with regard to the plan.

More generous assistance for students

Another area of intervention is that of eligibility for financial assistance. Our student assistance program is already the most generous in Canada. This aspect of our social heritage was passed on to us by the Quiet Revolution and is very close to our hearts. During the last election campaign, we made a commitment not only to freeze tuition fees, but also to further improve the loans and bursaries program. I am therefore announcing that the student financial assistance program will be boosted by $38 million.

Students will receive more financial assistance for the same levels of employment income as before. To illustrate, a first-year university student with employment income of $3 000 will see an $864 increase in his or her bursary under this Budget.

I am also announcing that, for the first time, part-time students will be eligible for the loans and bursaries program. The loans will enable them to cover tuition fees, school supplies and child care expenses.

More on-the-job training

The Budget Speech of March 1998 announced a three-year extension of the tax credit respecting on-the-job training. I am announcing today that this measure will be renewed for four more years. Moreover, the measure will be broadened to include longer training sessions and internships for graduate-level university students. Over 6 000 students will be able to take part in such internships each year.

Full tax exemption of scholarships and more students eligible for the QST credit

This Budget includes two other tax measures targeting students. Presently, students are required to pay income tax on the portion of their scholarships that exceeds $3 000. In future, the full amount of scholarships will be exempt from income tax. I am also announcing that, from now on, an additional 26 000 students will be eligible for the QST credit, which represents up to $154 per year.

(b) Québec ahead of the rest of the industrialized world

The actions undertaken today supplement Québec's impressive financial contribution to education, which puts us ahead of the rest of the industrialized world.

I wish to point out that, according to the most recent data available, Québec ranks second among OECD countries in terms of the percentage of national wealth spent on education. Only South Korea invests more in this area than Québec.

We can be proud of the fact that, overall, Québec's enrolment rate compares favourably with that of other industrialized countries. According to the most recent data, we outrank all OECD countries, with 78% of our population aged 5 to 29 enrolled in an educational institution. Our enrolment rate even exceeds that of countries as advanced as the United States, France and the rest of Canada by approximately 10%.

We want our youth to achieve academic success. We want to be at the forefront of the new knowledge-based economy. This Budget gives us the means with which to attain that goal.

V. Better prospects for resource regions

Québec has experienced a period of exceptional economic growth in recent years. The unemployment rate, which was 13.3% in 1993, dropped to 8.4% in 2000. This period of economic growth has benefited all regions in Québec without exception.

However, for various reasons, development gaps persist between Québec's regions. While there has been a significant narrowing of these gaps since the beginning of the 1960s, they are still unacceptably wide in too many areas. If Québec is to be strong, all its links must be strong as well.

I am thinking of Québec's resource regions: Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean, Mauricie, Abitibi–Témiscamingue, Côte-Nord, Nord-du-Québec and Gaspésie–Îles-de-la-Madeleine. It is a major challenge that has been handed to my colleague and friend the Minister of Regions and Minister of Industry, Trade and Tourism, and I know that he will take it up with vigour.

A strategy that meets the regions' priorities

In the past 18 months, the Québec government has focused its attention on the Gaspésie–Îles-de-la-Madeleine region, which is experiencing difficult economic problems. The Budget I am tabling today still very much targets the needs of this region; however, we are broadening the scope of our intervention to include all resource regions.

I am tabling today a paper which details the economic development strategy and tools that will be made available to these regions. In the coming weeks, the government will give, in each region, a detailed presentation of the measures designed for it. Overall, we will spend close to $800 million in the next three years to meet the economic development needs and priorities in these regions. In my estimation, over $200 million of that amount will be spent on budgetary measures that directly affect rural areas because of their significant impact on the development of forests, mines, agriculture, fishing, tourism and wildlife. In this way, the government is giving concrete form to its commitment to actively support rural communities.

The strategy for the economic development of resource regions will stem from five principal measures or series of measures, several of which target SMBs—the main source of job creation.

(a) Zero tax for 10 years for manufacturing SMBs

First, we must give SMBs, which generally employ fewer than 100 persons, the financial means necessary for their development in resource regions. I am therefore announcing that, as of today, manufacturing SMBs in remote resource regions will be exempt from income tax, tax on capital and payroll taxes for 10 years. It is what I call zero tax, Mr. President. Nearly 1 500 SMBs will benefit from this measure immediately.

(b) 40% tax credit respecting wages in the resource-processing sector

Second, we must increase resource processing in the regions. I am therefore announcing the introduction of a 40% tax credit respecting wages paid in conjunction with new jobs related to eligible resource-processing activities in the lumber and metal industries, agrifood and energy production.

(c) $145 million for the diversification and development of niches of excellence

Third, we must speed up economic diversification in resource regions. Some $145 million over three years will thus be spent on projects to develop new types of production and to process products derived from agricultural, forestry or mining activities. Spending will also target the development of recreational tourism and the development of niches of excellence in emergent and promising sectors of activity.

(d) $265 million for the sustainable development of natural resources

Fourth, the government must ensure both the renewal and protection of exploitable resources, a source of wealth and employment. I am announcing that $265 million will be used primarily by my colleague the Minister of Natural Resources for reforestation and forest management, job creation in the forestry sector and increasing mining exploration spending. There will be two main measures for the mining sector. We will be introducing a new tax credit for mining exploration operations. We will also set up, jointly with the Fonds de solidarité des travailleurs du Québec, a company devoted to mining exploration diversification, through which investments will be made in projects geared to diversifying mining production in resource regions.

(e) Greater support for the financing of SMBs and the creation of businesses

Fifth, the government must bolster its support for the financing of SMBs and the creation of businesses. I am therefore announcing that the economic project support program, which is currently limited to the Gaspésie–Îles-de-la-Madeleine region, will be opened up to the other six resource regions. Moreover, I am announcing that a new fund intended to direct venture capital toward cooperatives and the regions will be set up in collaboration with the Mouvement Desjardins.

Lastly, I am announcing that an additional amount, close to $22 million, will be made available to the local development centres (CLDs) in resource regions. The network of CLDs plays an essential role in providing ongoing support to entrepreneurs in remote regions in particular. This funding will enable CLDs to better assist entrepreneurs in their efforts and to bolster the financial support available to them, including those in the social economy sector.

Our goal with this Budget is to provide Québec's resource regions with better prospects. We know how long the dynamic elements in these regions have been at work. I hope that our support will enable them to develop another Cascades or Bombardier, whose success will one day spread throughout their region and all of Québec.

VI. New job creation initiatives

My predecessor put considerable energy into revitalizing job creation in Québec. For my part, I intend to devote the same energy to this task and, more particularly, I hope to have as much success.

In this Budget, one way of doing so consists in extending to all of the regions the economic upswing already well under way in Montréal. Another way consists in adjusting and honing a number of tools used across Québec.

(a) Investing in economic growth

Support for private investments

One of the job creation mechanisms instituted by the current Prime Minister has proven to be extremely effective. Originally, the Private Investment and Job Creation Fund (FAIRE) was to create 28 000 jobs by 2003. That objective has already been surpassed, with 41 000 jobs having been created or maintained. It would be a mistake to put an end to something that works well. Accordingly, the commitments envelope for this program will be raised from $100 million to $250 million for the coming year.

$370 million more for science and innovation

I explained earlier Québec's spectacular entry into the knowledge-based economy. Today, Montréal is the fourth-ranked hi-tech city in North America. Québec, which awards more university degrees per capita than the United States, France or Japan, has all of the assets necessary for resounding success in this area. Not only has Québec undertaken large-scale investment in the acquisition of cutting-edge knowledge, but it has begun using that knowledge to launch innovative businesses and thereby create new jobs.

Our government's initiatives are not unrelated to Québec's progress in this area. A case in point is the fact that the number of SMBs connected to the Internet is now as high in Québec as in other advanced countries, thanks to the tax credit introduced last year.

As the new Minister of Research, Science and Technology, and with the support of the Ministre délégué, I will make it my duty to give concrete form to the policy directions set down by my predecessor in the Québec policy on science and innovation entitled *Knowledge to Change the World.*

This policy represents a powerful research and innovation support mechanism for Québec. I am announcing today that we will place $50 million in reserve to fund research initiatives.

I am also announcing that, over the next three years, $250 million will be invested in major strategic initiatives in the research and innovation field.

We will also bolster our assistance to the Institut national d'optique. I am announcing a grant of $35 million to ensure the funding of the institute and even greater success in its research and training activities. I invite the federal government to follow suit.

Québec's success in the field of optics and photonics has resulted in a shortage of personnel. I wish to address that need in this Budget. I am therefore announcing a $15-million grant to increase the number of graduates in this field.

Moreover, I want to develop a biotechnology and human health centre in Laval. I am therefore announcing the creation of the Centre de développement des biotechnologies de Laval, which will enjoy the same tax breaks as an information technology development centre. Furthermore, we are introducing a tax credit equal to 40% of salaries and wages paid to new employees working at the Centre.

$865 million for our roads

The road network is an essential factor in our economic development and our collective well-being. I am therefore announcing that we will invest close to $865 million in our national network in 2001-2002, that is, $155 million more than last year.

The budget will enable us to carry on with the implementation of the Montréal and Québec transportation plans announced last year by my colleague the Minister of Transport. In addition, new work will be undertaken in conjunction with the regional transportation plans, which will promote economic development in the regions.

This Budget will thus enable us to undertake major new initiatives, in particular on local and regional roads. For example, a large new city is emerging in the Saguenay region. We will ensure that there is an adequate road link to it, by building the Chicoutimi–La Baie section of Highway 70, at a cost of $65 million. Moreover, we will accelerate completion of Highway 50, an express highway linking the Outaouais region and the rest of Québec. Work will begin on the project this year, and more than $100 million will be invested in this vast undertaking over the next five years.

Investments to enhance our environment

Quebecers want to live in a milieu that is as respectful as possible of the environment. This is a priority of the new Minister of the Environment and of this Budget.

First, I am announcing a new program to bury power lines, which attests to our desire, as well as that of Hydro-Québec, to enhance the environment and the integrity of our heritage, cultural and tourist sites. The $300-million price tag on the work to be carried out in conjunction with this program will be assumed by Hydro-Québec, the government and the municipalities.

Moreover, to contribute to the improvement of air quality, I am announcing the implementation of a new vehicle inspection program aimed at detecting excessive emissions of pollutants. Québec's performance is already very good with regard to reducing greenhouse gas emissions, but it needs to be better still. We will also pursue our efforts to foster more ecologically sound waste management, by fostering an increase in the number of resource recovery businesses. These businesses will be a key means of encouraging recovery and recycling. Lastly, we will implement the Québec water management policy and continue our efforts to reduce agricultural pollution.

This Budget will therefore earmark $40 million over three years to support interventions respecting the environment.

Support for the agrifood sector

Quebecers are increasingly concerned with food quality and safety, as are inhabitants of many other countries. This Budget allocates $15 million to the reinforcement of controls in this regard. The Minister of Agriculture, Fisheries and Food will introduce systems to track food from the farm to the consumer's table.

Modernizing oversight of the financial sector

The financial sector has undergone major changes in the past few years, particularly as a result of decompartmentalization and globalization. This evolution leads us to question the effectiveness of oversight of Québec's financial sector. I am therefore announcing the creation of a task force to study oversight of this sector. The objective is to improve the effectiveness of oversight in protecting the public and its efficiency in terms of the industry's administrative and regulatory burden, while ensuring the preservation of Québec's areas of jurisdiction.

Easing the administrative and financial burden

A State concerned with the well-being of its citizens must establish rules to govern the activity of businesses on its territory. These "rules of the game" serve to limit the excesses into which economic liberalism could easily lead us and, as a result, represent a precious asset for our democratic societies. However, as stressed by the advisory group on the reduction of the regulatory burden, good intentions can be swallowed up in the intricacies of administrative and financial red tape. This Budget redresses the situation in part, as businesses will be able to save $13 million annually, to say nothing of the time and energy they will be able to devote to other activities.

Thus, 80 000 businesses will no longer be charged a fee for filing their first annual declaration for the Inspector General of Financial Institution's register of businesses. Moreover, no business will be required to file an annual declaration in its first year of operations. Businesses obviously have countless other priorities during this crucial period of their existence.

(b) Investing in the vitality of our culture

The arts and culture constitute a sector where jobs can be created but, more particularly, they play a role in the identity of our people.

I therefore find it important to quote here words spoken on the occasion of the Journées de la Culture, words which I know will hold special meaning for creators in Québec: "Culture, our culture, is a *sine qua non* of a people's lasting presence in the world. Our culture is our collective portrait. Artists rework, correct and improve it with each new work they offer up as a reflection of us."

Québec culture therefore reveals us to ourselves and to the world at large. It bears witness to a nation's irreplaceable originality, which is resolutely rooted in the modern world, capable of enriching the cultural mosaic of humanity. That is why our government will continue to support the creation, production and dissemination of Québec culture.

Financial assistance for artistic creation and cultural development

We will first take steps to provide still better support to all creators and artists showcasing their talent in every discipline throughout Québec. With this Budget, I announce for this purpose the allocation of an additional $33 million over four years to the Conseil des arts et des lettres du Québec.

Moreover, I am announcing an additional $23 million for initiatives aimed at supporting cultural development in all regions of Québec. These target:

— improved training for the next generation of artists;

— continued implementation of the museum policy by supporting innovative activities enabling the preservation of well-functioning institutions in all regions of Québec;

— continued implementation of the reading and book policy, notably through the enrichment of municipal library collections in the regions.

To enable Télé-Québec to reinforce its cultural mandate and to promote the dissemination of its production, this Budget is granting it additional funding of $12 million over five years. This sum will contribute to the enrichment and diversification of French-language programming and, at the same time, encourage Québec's television production industry.

Action related to cultural facilities

For over 20 years, the Québec government has helped to set up cultural facilities which have improved access to cultural activities and property, highlighted Québec's heritage and strengthened regional cultural poles.

This year I am announcing an additional $30 million for support programs for cultural facilities and the restoration of heritage property. We will take action, notably, to maintain assets and bring facilities for the dissemination of reading, performing arts facilities and museums up to standard. Effort will also have to be devoted to safeguarding and developing vehicles bearing exceptional witness to Québec's heritage.

Creation of two museum repositories

I also announce that the government will invest $16 million to establish two museum repositories of our collective heritage, one in Greater Montréal and the other in the National Capital.

The museum policy released last May stressed the urgency of taking action to preserve our collective memory. From both an artistic and an ethnological standpoint, this memory constitutes an essential link in our cultural development.

VII. Constant vigilance in managing public finances

(a) A zero deficit for another year

Since we came to power, and particularly under the stewardship of Lucien Bouchard, we have resolutely tackled the task of restoring public finances. We have already begun to reap the fruits of our sound management. We have eliminated the deficit, reduced income tax and improved the funding of public services.

I am announcing that this vigilance will enable us to achieve the zero deficit objective yet again during the coming year.

Most forecasters expect an economic performance for 2001 that, while not reaching the records of 1999 and 2000, will still not be negligible. They foresee average economic growth in Québec of 2.7%, the rate on which the forecasts of the Budget I am tabling today are based.

(b) Half a billion dollars in debt reduction

For 2000-2001, however, we will do even better than a zero deficit. We will go a step further in building a better future for Quebecers.

My predecessor was the first finance minister in more than 40 years to reduce the deficit to zero. I have the honour of being the first finance minister to announce the reduction of a mortgage left to our children and grandchildren. Indeed, I am announcing today that this year we will reduce the debt by half a billion dollars.

I am part of a government that is determined to build a promising future for the generations to come. Reducing the debt today is an excellent way of passing on to those who will follow in our footsteps a heritage of which we can be proud.

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS[1]
(in millions de dollars)

	1999-2000		2000-2001
	Actual results	Budget Speech 2000-03-14	Preliminary results
Budgetary transactions			
Own-source revenue	41 047	40 990	42 729
Government of Canada transfers	6 352	7 306	8 174
Total revenue	47 399	48 296	50 903
Operating expenditure	– 39 997	– 40 871	– 41 789
Debt service	– 7 372	– 7 425	– 7 664
Total expenditure	– 47 369	– 48 296	– 49 453
Reserve for health and social services, education, social solidarity and research	—	—	– 950
Budgetary surplus after reserve	**30**	**0**	**500**
Non-budgetary transactions			
Investments, loans and advances	– 2 022	– 871	– 1 638
Capital expenditures	– 359	– 435	– 386
Retirement plans	1 740	1 726	1 749
Other accounts	1 328	– 894	– 657
Non-budgetary excess (shortfall)	**687**	**– 474**	**– 932**
Net financial surplus (needs)	**717**	**– 474**	**– 432**
Financing transactions			
Change in cash position[2]	2 246	1 160	– 509
Change in direct debt[2]	– 132	1 191	2 955
Retirement plans sinking fund	– 2 831	– 1 877	– 2 014
Total financing of transactions	**– 717**	**474**	**432**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 On the basis of the 2001-2002 budgetary and financial structure.

2 The preliminary results for 2000-2001 take into account borrowings of $1 477 million made in advance, whereas the actual results for 1999-2000 include $506 million in borrowings made in advance.

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS[1]
2001-2002 FORECAST
(in millions of dollars)

Budgetary transactions	
Revenue	51 136
Expenditure	– 51 136
Budgetary surplus (deficit)	**0**
Non-budgetary transactions	
Investments, loans and advances	– 2 771
Capital expenditures	– 691
Retirement plans	1 888
Other accounts	804
Non-budgetary excess (shortfall)	**– 770**
Net financial surplus (needs)	
Consolidated Revenue Fund	0
Consolidated organizations	– 770
	– 770
Financing transactions	
Change in cash position	1 859
Change in direct debt	1 023
Retirement plans sinking fund	– 2 112
Total financing of transactions	**770**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 On the basis of the 2001-2002 budgetary and financial structure.

Conclusion

Mr. President, the Budget I have just tabled is a budget of hope and of fairness, a budget both prudent and innovative. I hope that it meets the expectations of the people.

I began its preparation with all the experience acquired at income security, the Conseil du trésor, education and health, at the head of networks that provide the bulk of our public services. The Budget I am tabling today reflects our government's desire to respond as fairly as possible to the variety of needs expressed in our society.

I have prepared it with the conviction that it was vital to preserve the results that sound financial management enabled us to achieve. Obviously, there is no question of whittling away our achievements. I am proud indeed to table a Budget that marks a new stage in restoring our public finances. Not only does it contain an additional reduction in personal income taxes, but it eases the debt burden we will hand on to future generations.

I have also prepared this Budget with the deep conviction that, one day, the $33 billion in income taxes and other taxes that we pay to Ottawa must be repatriated. When that time comes, we will be able to channel all our energies into meeting the priorities that Quebecers have chosen.

As the Prime Minister stated in his Inaugural Address, our government has made it a priority to resolve Québec's national question. Sovereignty alone will give Québec complete control over the tools of its development. It is on this basis that we will be able to build a new partnership with Canada, and perhaps a new, confederal-type union, but a union between sovereign States.

I therefore wholly endorse the determination to give ourselves full control over our future. I do so with particular enthusiasm as this first Budget devised under my responsibility has enabled us to strengthen the resources of a modern State that is financially, economically and socially strong. A State, Mr. President, that, now more than ever, has all the foundations required to fully assume its destiny among nations.

Thank you.

GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE
2001-2002 FORECAST
(in millions of dollars)

Own-source revenue	
Income and property taxes	
Personal income tax	15 902
Contributions to the Health Services Fund	4 436
Corporate taxes[1]	4 374
	24 712
Consumption taxes	
Sales	7 683
Fuel	1 582
Tobacco	477
	9 742
Duties and permits	
Motor vehicles	678
Alcoholic beverages	150
Natural resources[2]	171
Other	160
	1 159
Miscellaneous	
Sales of goods and services	421
Interest	369
Fines, forfeitures and recoveries	331
	1 121
Revenue from government enterprises[3]	
Société des alcools du Québec	500
Loto-Québec	1 300
Hydro-Québec	1 077
Other	379
	3 256
Consolidated organizations	1 662
Total own-source revenue	**41 652**
Government of Canada transfers	
Programs	
Equalization	5 615
Canada Health and Social Transfer	2 960
EPF and other programs related to fiscal arrangements	15
Other programs	535
Consolidated organizations	359
Total Government of Canada transfers	**9 484**
Total budgetary revenue	**51 136**

1 Includes tax on corporate profits, tax on capital and tax on premiums in lieu of corporate taxes for insurance companies, as well as the tax on telecommunications, gas and electricity.
2 Includes forest, mining and hydraulic resources.
3 According to the modified equity method of accounting.

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
2001-2002 FORECAST
(in millions of dollars)

Operating expenditure	
Program spending	– 41 929
Consolidated organizations	– 1 297
Total operating expenditure	**– 43 226**
Debt service	
Consolidated Revenue Fund	– 7 243
Consolidated organizations	– 667
Total debt service	**– 7 910**
Total budgetary expenditure	**– 51 136**

GOUVERNEMENT DU QUÉBEC
NON BUDGETARY TRANSACTIONS
2001-2002 FORECAST
(in millions of dollars)

Investments, loans and advances	
Consolidated Revenue Fund	– 2 715
Consolidated organizations	– 56
Total investments, loans and advances	**– 2 771**
Capital expenditure	
Consolidated Revenue Fund	
Net investments	– 184
Depreciation	334
	150
Consolidated organizations	– 841
Total capital expenditures	**– 691**
Retirement plans	
Contributions	4 581
Benefits and other payments	– 2 693
Total retirement plans	**1 888**
Other accounts	
Consolidated Revenue Fund	734
Consolidated organizations	70
Total of other accounts	**804**
Total non-budgetary transactions	**– 770**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS
2001-2002 FORECAST
(in millions of dollars)

Change in cash position	
Consolidated Revenue Fund	1 477
Consolidated organizations	382
Total change in cash position	**1 859**
Change in direct debt	
Consolidated Revenue Fund	
New borrowings	5 376
Repayment of borrowings	– 4 741
	635
Consolidated organizations	
New borrowings	1 128
Repayment of borrowings	– 740
	388
Total change in direct debt	**1 023**
Retirement plans sinking fund	**– 2 112**
Total financing of transactions	**770**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.